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OFFSHORING CALL CENTERS FOR EMERGING MARKETS:
findings from Brazil

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ABSTRACT

Offshoring production and services is changing business models in many industries. Many manufacturing sectors and more recently service sectors are moving their plants or installations abroad, to affiliates or third-party companies in developing countries. This movement is also happening in the call center industry since India is the destination for many call centers, Brazil as well as presents good perspectives based on its multicultural society and the stage of the Brazilian call center industry. To understand and identify the potential capabilities and opportunities in this industry, a survey was carried out sampling 114 call centers located in Brazil. The main data shows the competitiveness of Brazil along with other emerging countries. Offshoring call centers are on the way up and Brazil has the capability to be a great player as the presented cases show. Results obtained from the survey demonstrate that Brazilian call centers are in the initial stage of internationalization, but that can change very quickly because the main infrastructure and human resources already exist and can be readied based on the technologies and competencies to serve international markets.

Keywords: Offshoring. Call Centers. Business. Internationalization.

1 INTRODUCTION

In-house and outsourced production are changing business models in many industries and creating a new perspective for developing and emerging economies. Maybe based on Prahalad and Hamel (1990), the distinction between core and non-core competencies and/or Porter (1986) cost leadership management strategies, the organizations are outsourcing part of their business to third-party providers and, with the globalization process, not only outsourcing but offshoring activities to keep or acquire more competitive advantages over new competitors from any place in the world. In the first moment, China and others as OEM (original equipment manufacturer) producers and India as English-speaking service providers, especially IT, are now producing their own brands and products with quality and reliability and are competing worldwide. So, emerging countries are learning how to produce and how to play the global game of international trade using their capabilities to be good players. This movement is also happening in the call center industry and India is the destination for many call centers.

The call center industry has accomplished rapid growth in many countries and now represents a significant portion of those countries' workforce. The Global Call Center

Industry Project showed the importance of this industry. In the USA, employment in this sector is estimated at 3% of workforce (BATT *et al.*, 2004), 1,7% in the United Kingdom (HOLMAN *et al.*, 2004), and almost 2% in Brazil. In addition to that, Contax (2005) *apud* IDC estimated the worldwide outsourced contact center revenue to be \$ 45,5 billions in 2004. The Global Call Center Industry Project is being coordinated by two renowned universities in the USA and the UK researching call centers strategic and tactical aspects and is being utilized in 20 countries around the world.

To understand and identify the potential, capability and opportunities in this industry, a multifunctional approach is being taken involving strategy, technology, HR, call center evolving theories and, in the case of Brazil, an analysis of part of the survey finalized in 2005.

This article does not deal with only outsourced call centers, but also with the opportunities provided by emerging countries in offshoring call centers in this new realm with their internal capabilities, low cost workforce and cultural proximity to other countries.

2 THEORETICAL BACKGROUND

Robinson and Kalakota (2004) present a large number of examples showing offshore outsourcing and define offshoring as the migration of part or all of the value chain to a low-cost location. Offshoring hinges on cost management through labor and skill arbitration. It is dependent on the dramatic advances in telecommunications technology that have made it possible to situate what were operations in a variety of locations and to benefit from significantly lower labor costs. Besides that, Abramovsky (2004) presents, as can be seen in Figure 1, a scheme to differentiate all possibilities in the supply chain.

		Location Decision	
		Onshore	Offshore
Corporate Boundary Decision	Insource	Domestic Divisions/ Affiliates	Establishing Foreign Affiliates (FDI and trade)
	Outsource	Source from Domestic Suppliers	Source from Foreign Suppliers (International Trade)

Figure 1 – Corporate Boundary and Location Decision
Source: Adapted from Abramovsky (2004, p.5)

Offshoring (overseas) possibilities involve insource and outsource options. The first one occurs when it is done to a subsidiary in another country, while offshore outsourcing represents an outsourcing to a supplier outside the corporate structure. Bie (2005, p.5) says that there is no official definition for outsourcing, offshoring or offshore outsourcing but presents a similar definition as that presented in Figure 1: outsourcing is the relocation of a function to a third party producer; that is domestic or abroad. Offshoring is the relocation to an own affiliate abroad, whereas offshore outsourcing is the relocation to a third party abroad. The roots of offshore outsourcing can be traced on Ronald Coase, a Nobel Prize winning economist. In 1932, Ronald Coase explained why businesses exist as they do: Why, for instance, they choose to produce some goods themselves and contract with outside companies to provide the rest. In 1937, he published “The Nature of the Firm” in the journal *Economica* and it is considered by many to be the foundation of modern outsourcing (ROBINSON and KALAKOTA, 2004).

International business specialists, who come to the subject from an economics perspective, tend to see merit in trying to merge the economics and business strategy perspectives. Most notable in this respect are, perhaps, the works of Porter (1998) and Dunning (1988). The central construction in Porter (1998) is his “diamond” analysis of the competitive advantage of nations.

Porter (1998) with his diamond model shows how a nation can be or is already competitive in international business. The diamond has four determinant criteria to analyze a nation, or, of course, a company. Conditions are related to production factors such as skilled labor and the infrastructure of the countries’ capabilities. Home demand conditions represent the internal market competitive environment. If a company acts competitive in its country, it is a good foundation to be competitive in a global market. Related and supporting industries indicate the existence or absence of international partners in its supply chain. Firm strategy, structure and competition determine how companies are established, organized and managed based on the characteristics of domestic competition. Competitive advantage, in Porter’s sense, means the ability of firms in a nation to use their location-bound resources to compete successfully in international markets (REID, 2003). From the economic point of view, the

main approach is the eclectic paradigm of internationalization. The reasons for internationalizing are explained through three advantages (Dunning, 1988) (i) due to the property abroad; (ii) exploring the location advantages (for low wage labor, for instance); (iii) adapting current advantages of the internalization of activities to facilitate the knowledge transfer.

The purpose of outsourcing or offshoring is to transfer a business process or function, typically not a core function, to an organization that has expertise in the area based on saving costs (labor costs, economies of scale) or to improve the quality of production or service. At the bottom line it will be reflected in better results.

Other authors for the behavioral perspective (WRIGHT and RICKS, 1994) present international entrepreneurship as a newly emerging research direction and include comparisons of entrepreneurial behavior in multiple countries and cultures and organization behavior that extends across national borders and is entrepreneurship. The authors present how internationalization can be done but not the main reasons for doing that. In an over searching point of view, Ramamurti (2004) summarizes it in figure 2 but doesn't include the behavioral perspectives.

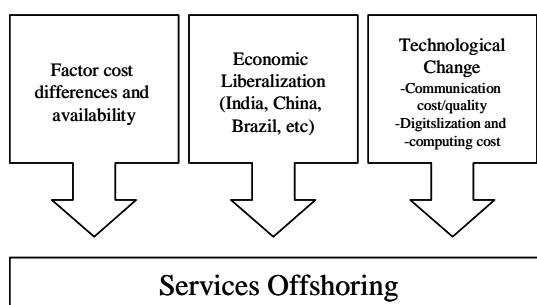


Figure 2 – Drivers for outsourcing
Source: Adapted from Ramamurti (2004)

Starting with economic liberalization, many important countries open their borders to global business and it can be done in many ways as previous authors presented. However, the main reasons would be to reduce operational costs and / or outsourcing non priority activities. Of course, to do that, it is necessary to have the availability of competencies in those new emerging economies: A well-prepared workforce, technological resources to produce or manage hardware and software operations and telecommunications infrastructure to provide a networking among company sites worldwide.

In the early 1990s, pricing pressure for basic IT services and call centers maintenance pushed the industry into low wage countries. India became a symbol of this migration in addition to fluent English-speaking countries. Pushed by its customers and a quest to improved margins, IT service vendors started to establish an offshore presence through a variety of strategies including organic build-outs, partnerships, joint ventures or acquisitions (LANGERLING and ROMAN, 2005).

Robinson and Kalakota (2004) ask: “Why has offshoring become more prevalent? Why now?” They answer themselves: “the reduction of transaction costs associated with finding vendors, monitoring their works, and sending work overseas is helping to reshape the modern company. Those costs, “Coase theorized,” frequently determine whether a company uses internal or external resources for products or services.”

Despite some worry in developed countries, especially in the U.S. and the UK, surround emerging offshore outsourcing, (most of it focusing on jobs losses), the advantage of using offshore locations is basically cost-savings – 25%-50% - mostly due to cheaper labor (KOLDING, 2003)

Bardhan and Kroll (2003) proposed two waves of outsourcing in the U.S. market: the first one regarding manufacturing and the second one of “white collar jobs”. The foreign outsourcing of the U.S. manufacturing and the associated loss of “blue-collar jobs” in many industrial sectors is attributed to globalization of activities for offshore production of intermediate inputs, usually in low-cost developing countries, such as Taiwan, China, South Korea and Malaysia. However, the software sector was the first service sector to transfer significant activity to foreign locations of white collar jobs, especially to India. The rapid dissemination of the Internet, the transnational networks set up by immigrants in the U.S., and liberalization of emerging market economies created the conditions for a major burst of outsourcing in 1990s. Several major differences distinguish service outsourcing from the previous wave of outsourcing of manufacturing jobs. Service outsourcing is structurally simpler than manufacturing in terms of resources, space and equipment requirements and thus may proceed much more quickly. It displays a special warning sign: the occupational mix of a sector may determine its vulnerability in Business Process/Services Outsourcing (BPO/BSO) circles it is said that any job that involves mostly “... sitting at a desk, talking on the phone

and working on a computer...” is a job under potential threat. Based on that and following PEG (2005, p.13) opinion,

Call centers are perhaps the most common form of BPO services outsourced to offshore locations. Offshore call centers are attractive because of the low telecommunications costs in countries like India, Jamaica, the Philippines, South Africa, and Mexico as well as lower wages offered to workers offshore. (...) Based on a recent study conducted by market research firm Datamonitor, call centers agents in India earns 10% of what U.S. and UK-based call center agents earn per hour.

A summary of the drivers for this rapid offshore outsourcing growth is presented by Robinson and Kalakota (2004): Continuous cost pressure on U.S. and European companies; rapid decline in communication and computing costs; dramatic improvements in Internet reliability and functionality; more offshore suppliers with better capabilities; high-quality onshore suppliers offering offshore services; access to low-cost, high-quality employees, especially for labor-intensive tasks; and a business model for offshoring that has been proven by successful pioneers such GE and American Express. These drivers represent opportunities in many service areas as detached by Bardan and Kroll but from now on the attention of this paper will concentrate in call centers perspectives, threats and opportunities.

The offshore service market is becoming a great segment to be explored by companies and countries. Based on Langerling and Roman (2005) offshore market for IT is growing rapidly. NASSCOM (India's National Association of Software and Service Companies) forecasts that Indian software and services exports to grown from US\$ 9.5bn in revenues in 2003 to US\$ 56.1bn in 2008, an average annual growth rate of 42%.

CALL CENTERS, TECHNOLOGY AND EXAMPLES

A formal definition of a call center did not exist until the 80's (Hawkins et al, 2001) but consumers already had some way of communicate with companies, using telephones or mail, but with incipient and unproductive conditions. In the 60's and 70's with the advent of computer, computer technology integration (CTI) opened the possibility of accessing consumer information from a marketing point of view if only as a necessity, manual

and primitive way. According to Norman (2005), CCs have their origin in the USA in the beginning of the 1960s when Ford Motor Company started to search for possible buyers for their cars by making 20 million phone calls to consumers.

The difficulty in defining this is due to the continuing evolution of call centers. So, it is difficult to define a call center: as a center where inbound and outbound calls are done for telemarketing, sales, support or requests from consumers purposes (Call Center Guide, 2005) to a more complete and actual definition where a call-center is defined as a contact center where multiple kinds of media (e-mail, fax, web tools) are handled by operators in complex workstations in addition to traditional telephone interactions. CTI's provide many call-center facilities with automatic call distribution (ACD), interactive voice response (IVR) and Internet advent, until voice over IP (VoIP) was used for telecommunications integration and cost reductions. An example is provided by FBR (January, 2005, p.11): "we note that the average customer call that goes to a live agent runs between \$3.50 to \$4.00; while a call handled by computer-generated IVR systems costs a mere \$0.30."

All of those facilities with telecommunications liberalization in many countries, the location of the call center sites can be said to be "virtual" because when you call to a call-center, you do not have any idea where the call center operator (or an answering machine) is responding from (TAYLOR and BAIN, 2005). It seems to be a great opportunity for emerging countries for the reasons as shown above.

With improvements in telecommunications and technology over the past decade it is easier to build a network in different geographic location. For Intranet companies it is essential to exchange knowledge and information among headquarters subsidiaries and partners. For using development of IP facilities and, especially for call centers, the VoIP means a new good component in cost reduction for internal and external operations, including those among countries.

Offshoring and VoIP go hand-in-hand in our opinion, as having customer service agents in third-world countries (i.e. India, Vietnam) is markedly more efficient with this technology medium FBR (January, 2005, p.13). It is confirmed by Kolding (2003), saying that IP solutions facilitate management control, flexibility, cost reduction and geographic independence. According to Servcik and Forbath (1998), call centers are one of the first applications to take advantage of this convergence – the merging of data, voice, and video

communications over a common network infrastructure – in business and; encourages customer self-service and enhances the user experience.

The offshore call centers are no longer trend but a reality and many successful cases can be found. During the early 1990s companies such GE, British Airways and American Express relocated their back office operations to India. Soon after that other multinational companies followed suit, either by establishing their own subsidiaries in India, China or Mexico, or sub-contracting to third party service providers (BROECK, 2006).

Taylor and Bain (2005) identify and analyze the factors that are driving and inhibiting the migration of call centers in the area from Scotland to India. Their survey identifies that 22 companies who operate contact-centers in Scotland have migrated voice services abroad. Evidence supports the conclusion that some of the more routine, repetitive and low value services are being moved abroad, although there is a trend towards more complex IT help desk and technical support. The main reasons for this migration reportedly are cost reduction, increased profitability, labor availability and more specifically the skills and education of the workforce, and the possibility of global operations synergies. The main disadvantages related to outsourcing call centers to India are the accents and the difficult in controlling remote operations.

Moriset (2004) reports a founding of a call center in Dakar, Senegal, where the official language is French, to provide call center services to French companies in France. This call center recruited 1,000 agents, most of them former students at the University of Dakar and they must use French names when they are online with clients. The 2nd largest call center company, the French SR Teleperformance, reported that is present in 36 countries: 31 countries for domestic or combined use, 5 countries for offshore use (SR TELEPERFORMANCE, 2004). Many other new examples appear in the press every day. Table 1 shows some of them.

Table 1 – Examples of offshore outsourcing call centers

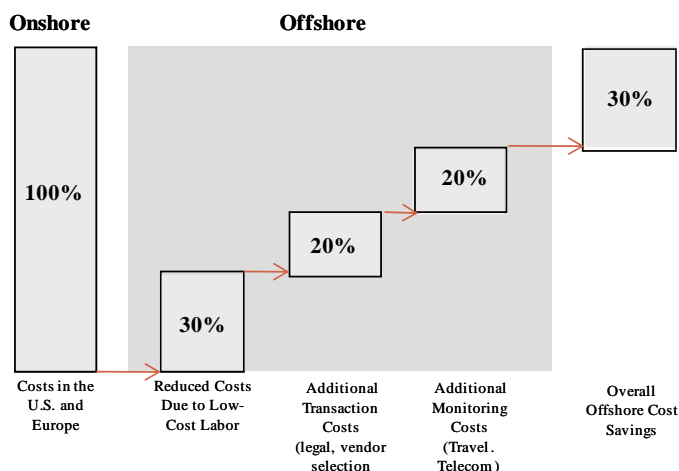
Citigroup	500	Citigroup cut 500 U.S. call center workers at the same time it acquired an Indian outsourcing firm. (Phoenix Business Journal, April 23, 2004)
HSBC USA	768	HSBC has transferred 768 customer service, collections and back-office positions to India during the las three years.(Buffalo News, Feb 22,2004)
Dell Inc.	5.700	Dell eliminated 5.700 jobs. At same time it opened a call center in India. (Austin American-Stateman, Oct. 21, 2002)
HP	1.200	HP shifted 1.200 Compaq customer-seervice jobs from Florida to HP center in India (Forth Worth Star-Telegram, July 21, 2003)
Microsoft	500	Microsoft is looking for 500 software developers in India to replace 500 software developers in the U.S. (The Wall Street Journal, Feb. 14, 2004)
Sprint FON Group	4.500	Sprint has given contracts to IBM and EDS to outsource hundreds of IT and call center jobs.It expected to go overseas. (Kansas City Star, Feb. 14, 2004)

Source: Adapted from Public Citizens, 2004

To understand what happens in the call-center industry, it is important observe the costs of a call center. The typical call center budget allocation based on Anton's (2005) shows work presenting a very expressive cost is based on human resources (64%) which means that a reduction in this aspect can improve the company results in a significant way; 16% is based on IT cost and 15% is based on telecommunications cost. For developing countries, such as India, China and Brazil which have lower wages in comparison with developed countries, offshoring is a good solution and opportunity.

In addition, the observation of Taylor and Bain (2005) *apud* Nasscom and McKinsey suggest that wages in India are 70-80% and 60-65% lower than in UK and US, respectively. Considering that labor costs comprise around 33% of the total costs in Indian call centers, in the UK, labor total costs represent around 50-70%. Similar information is based on Contax (2005a): 79% of cost operations are based on personnel wages and following Batt *at al.* (2005, p.2) studies, Indian operations are more likely to use college-educated workers while paying one-tenth of U.S. wages. So, offshoring of call centers to some countries really means cost reduction.

The presented graphics of figure 3 from Robinson and Kalakota (2004) gives a good idea of the difference between onshore and offshore operations. Instead, with the additional costs with transactions and monitoring, the profits with the reduction in labor costs means a, overall cost savings at 30%. In this figure, it is possible to see that, until the overhead caused by additional transaction and monitoring costs, the overall cost-savings is significant in a competitive environment.



Source: Robinson and Kalakota (2004)
Figure 3 – The Economics of Offshore Outsourcing

So, cost saving and well-prepared workforce provide by offshoring operations can find support in Porter's diamond model and in Dunning's eclectic paradigm. Cost saving comes from low wage workers and from the reduction of telecommunication and IT costs provided by a widespread network and Internet capabilities.

OPPORTUNITIES FOR EMERGING COUNTRIES

The jobs being created in India and elsewhere are in a wide range of service sectors such as geographic information systems services for insurance companies, stock-market research for financial firms, medical transcription services, legal online database research, and data analysis for consulting firms, in addition to customer service call-centers, payroll and other back-office related activities (BARDHAN and KROLL 2003, p.1).

Naturally if new jobs are being created in many developing countries, a threat in developed countries can be reflected. Some papers show that. The problem of offshoring in service sectors in the U.S. is being observed and being handled by non-profit organizations and the US Senate. In the aftermath of blue-collar job meltdown, offshoring now has gained momentum among service sector companies seeking lower employment costs and higher profit margins. This job migration began with lower-age, "back office" operations, such as telemarketing, reservations and data processing. Now high-skilled jobs are at risk. Large swaths of the US labor force – from factory workers to Ph.D engineers to computer scientists

– must now compete with developing country wages. The result is a hollowing out of the middle class (PUBLIC CITIZENS, 2004, p.4).

Some quote from Public Citizens are dramatic for the U.S.: 14 million highly skilled, white-collar jobs paying an annual average salary of \$40,000 are susceptible to being offshored (Bardhan and Kroll, 2003); A widely cited projection by Forrest Research estimates that 3,4 million white-collar jobs will move offshore by 2015; a Goldman Sachs study estimates that as many as 6 million U.S. service jobs could move overseas in the next decade; A.T.Kearney predicts 500,000 financial jobs (8% of all U.S. jobs in banking brokerage and insurance) will be shipped overseas by May 2008.

Despite, the developed countries losing jobs, it is an opportunity for developing countries focusing on policy changes, tax incentives, and infrastructure support. In a study by A.T Kearney consulting company (2004), offshore location attractiveness index was defined based on 1) people skills and availability; 2) the business environment and 3) financial structure; and Brazil occupies 7th place after India, China, Malaysia, Czech Republic, Singapore and Philippines. But of course it is based in a more complete study involving more complex job skills as those needed by IT professionals, R&D engineers and not only for call center operations.

Kolding (2003) based on IDC's European BPO and IT Outsourcing Survey 2003 presents priorities for selecting an outsourcer. The priorities follow this order: security of company information, cost predictability, operational flexibility during lifetime of contract, cost reduction, access to process or technology expertise, access to the latest technology and automation of administrative tasks.

The analysis of a call center survey done in Brazil shows that emerging countries have good conditions to provide this kind of service to many countries, based on the multicultural Brazilian society and other internal competencies. All reasons identified by those researchers can be developed or, while not, it is still developed with the advantage of low costs operations with no necessary cross-border high investments.

In the case of call centers are extremely impacted by technological evolution and the kind of service offered by them. With globalization and advances in telecommunications, distance is not so important for call center interactions and many of the presented theories need to be complemented, and the cost saving appears as the most important factor for

outsourcing and offshoring operations to continue be competitive in a global economy. As presented in some studies about IT outsourcing, such as Lagerling and Roman (2005) and Keane and Seok (2005), the cost saving advantages in India can reach, respectively, 60-80% and 70-75% on an average employee's salary in comparison with the U.S. and UK. However Brazilian IT wages are 60% up from Indian IT wages.

The work is not as specialized in call centers as IT programmers and it means a more Taylorist principle works with lower skilled human resources, low levels of training and, of course, low levels of pay (WOOD *et al.*, 2004).

The intention for international call centers (ICC) is not only to provide services in a new market or emerging countries but to export their services based on the same quality and low cost strategies to the original countries or developed countries. It will be a necessity when the base market is saturated and has maximized the use of an infrastructure. It is also very important for operations in 24 /7 conditions. Instead of paying extra wages for night or dawn work, this complement can be done by off-shoring operations. It shows that emerging markets such as Brazil represent good opportunities for offshoring call centers operations, based on a low cost strategy, but not wasting service quality.

METHODOLOGY

As presented above, this Brazilian survey result is part of The Global Call Center Industry Project coordinated by renowned universities and intends to map the call center industry in 20 countries. The survey involves a wide range of call centers aspects: from strategy and technology to human resources practices and performance, in all kinds of economic sectors such as telecommunications, financial services, retail and taking into account an important aspect regarding in-house or outsourced call centers for marketing relationship discussions.

The same basic questionnaire, applied in all countries adapted, where possible, but not changing the general purpose of the project, was used in Brazil. Call centers were invited to answer regarding their internal practices, wages, training procedures, scholarship, and organizational structures among others.

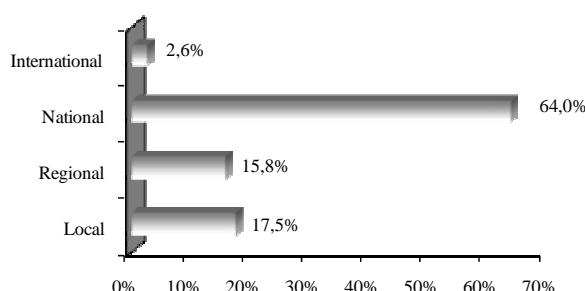
In Brazil, this survey was done with some help from the main call center association who provide us with their member list for a first contact. This list needed to be refined because some of the members were not call centers but instead consultants or equipment providers. At last, with a total of 200 contacts, 103 companies agreed to respond to the questionnaire and a total of 114 questionnaires were obtained. In some cases, a company answers as a whole and not for all sites available in the company. This explains the discrepancy between participating companies and the number of questionnaires. There is no precise number of active call centers in Brazil, but after this survey and cross referencing with some secondary data, the estimated number is somewhere between 1,000 and 1,100 call centers, employing around 400,000 employees.

The period for collecting data was six months, from May to October, 2005 and was done by personal interview, e-mail or telephone. The occupation of the responders was at lowest a human resource manager up to directors, CEOs and presidents of the companies which provided us with different views of the sector, the business and their strategies. Specifically, for this article, part of database was used to identify outsourcing and off shoring activities and their respective modes of work, strategies and performance. Differentiating call centers which provide for international markets from those who provide for national, regional or local ones, some items are separated. Performance in sales in the last 2 years and the perspectives for hiring new employees for next year are used for comparison. The human resources evaluation is based on wages paid for call center operators compared with some countries in addition to language-speaking possibilities and information within the composition of Brazilian society.

Another important analyzed topic is that regarding technology. The implementation of new technologies and telecom shows that Brazilian call centers are at the same level as other international call centers and finally, an analysis of the Brazilian market is done showing a competitive environment with national and multinational large, medium and small call centers. In some cases, French (LANCIANO-MORANDAT *et al.*, 2005), USA (BATT *et al.*, 2005), German (HOLTGREWE, 2005), British (HOLMAN *et al.*, 2004) reports were used to compare with Brazilian data.

BRAZILIAN SURVEY RESULTS

The sample of this survey represented a proportion of 53% of outsourced and 47% in-house call center. However, in the number of operator seats, 89% of them are outsourced, showing a trend in the Brazilian market for third-party call center providers. But the number of Brazilian call-centers providing the international market (ICC) is still very small. As can be seen in figure 4, only 2.6% do that. It appears to be only the beginning but some comparisons of the results from the survey provide us with some good surprises in the performance of those call centers. For a while, 100% of these ICC were in-house call-centers with an average size of 79 operator seats. It seems that sub-contractors call centers did not identify or consider offshore operations as good business opportunities and only small call centers are charged with this segment as niche players only for their own consumers.



Source: The Global Call Center Industry Project Reports

Figure 4 – Primary Market Served by Brazilian Call Centers Distribution

In terms of growth and revenue results, 100% of these respondents said that their sales increased in last 2 years 66% of the respondents while for national market (NCC) said the same. The overall average was 64%. Same results were observed from prospects for next year HR politics. While for ICC, 100% intend to contract new employers, only 66% of NCC intend to contract. The overall average in this case was 67%. It shows a superior performance for those call centers which provide their services to international market as well. National, regional or local only call centers had lesser financial results and lower prospect for the next year.

Regarding employees wages, Figure 5 provides valuable information. The average annual salary in Brazil (\$ 7.099) is the lower in comparison to the US, Germany and France.

But there is additional information in this figure: for Brazilian data, only college call center operators were considered (\$ 7.099)! Considering all call center operators, the average is still lower: \$ 4.513. This contrast was done to show that even with hiring operators with a better education level, the Brazilian market is still competitive.

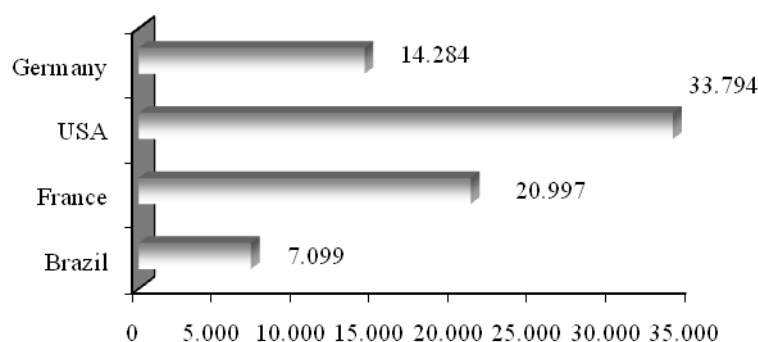


Figure 5 - Typical Total Annual Earnings in Some Countries
Source: The Global Call Center Industry Project Reports

In Brazil, in both high school and college levels, the English and/or Spanish languages are offered as a second language, however, it is not taught for a proficiency purpose and language schools are necessary for a better quality language learning.

Brazil is also a multicultural country. During the XX century many immigrants came to try a new life there and contributed to the development of the country. Nowadays, there are many colonies up to cities that keep the original characteristics of their countries. Based on Memorial do Imigrante (2006) the number of immigrants and descendants (table 1) can be a source for the workforce for all those countries with a not-so-different accent.

Table 2 – Number of immigrants and descendants in Brazil

Arabs, lebaneses and syrians	10.000.000
Chineses	190.000
Germans	400.000
Greeks	50.000
Hungarians	50.000
Italians	25.000.000
Japanese	1.400.000
Jewish	60.000
Koreans	80.000
Palestines	50.000
Portuguese	1.200.000
Ukrainians	300.000

Source: Memorial do Imigrante (2006)

This multicultural advantage is not found in many countries and can be used to complement operations for all those countries with low-wage advantage and low-accent problems.

Another interesting point identified in Brazil is related to the use of technological innovations. In comparison with some G8 countries, was expected to observe a great difference in state-of-the-art among those countries and Brazil, representing emerging markets. But that has not happened. As can be seen in Table 2, Brazil is well positioned in all compared items. One reason for that could be the age of call centers in Brazil. 72% of them were implemented after 1998, the milestone year of telecommunications privatization process.

Table 3 – Complementary Technologies Comparison among Countries

Tecnology	Brazil	USA	France	Germany	UK
E-mail	72%	85%	68%	89%	63%
Fax	67%	85%	73%	86%	62%
CRM	59%	37%	55%	49%	28%
VoIP	25%	21%	18%	16%	16%
Web-enablement	62%	56%	25%	30%	23%

Source: The Global Call Center Industry Project Reports

In a first overview of this table, it can be seen that call centers based only in telephony interactions are moving for a contact center approach with multiple different ways of contact available to customers. More sophisticated technology such as CRM have a high percentage of use, indicating a good prospect for relationship marketing and a better understanding and knowledge about customers during in-bound and outbound interactions. Voice over IP (VoIP) is not so important for customer interactions aligned with Internet growth, but it is very important for cost reduction operations.

E-mail is the main alternate interactive method provided for call centers to customers for clarification or requests. Brazilian call centers provide this kind of technology in 72% of cases, Brazilian Internet penetration is around 30% and 68% never navigate the Internet (CGI, 2005). In comparison with the other countries, the Brazilian percentage is very significant with potential for providing this kind of access abroad. Web enablement tools show Brazil well-positioned also and if the voice interaction is a problem, written interaction is easier to satisfy customers.

Fax still an important form of interaction in some countries, but in Brazil and Germany it is less frequent than e-mail, showing a technology transition from telephony-based infrastructure to an Internet based one. Related to CRM, Brazil is the country with the highest percentage of use of this essential tool for relationship marketing and customer loyalty. 59% of Brazilian call centers have integrated systems with customer databases, providing easy access to their information, historic and last claims which must mean (or should mean) a better service.

VoIP is a relative new interconnection technology providing synergistic services and low cost operations. Instead of implementing a network for each kind of service (voice and Internet, for instance), a single network can transport both information and, of course, low cost in a medium term (reduction in telecom cost up to 80%). As can be seen in the picture above, Brazilian call centers have the highest percentage of VoIP implementation which means, in addition to the HR advantage, a cost-based strategy can be implemented and it can mean be profitable outsourcing call center services from Brazil to other countries.

The above analysis is based on average information from the survey's database. When detaching the three call centers (ICC) identified providing international services (2,6% of all of them – Figure 4) and comparing with average database, some clarifications appear and they can be helpful for research and interpretation of possible offshoring service providers (table 4).

The first variable, average annual wages of operator, presents database average higher than ICC average however, all ICC are call center companies classified as outsourced and when comparing with outsourced average, it is 23% above for ICC ones. As an overview it is clear that the database average is impacted (to up) for in-house average wages. The turnover average is lower in ICC than in all other cases, showing that this kind of operation is

maybe less stressful and more plentiful because better wages and self-esteem. It is not a common call center but an international relationship center!

Table 4 – Comparison among some variables for in-house, outsourced and ICC call centers

	Database average	Inhouse	Outsourced	ICC
Wages (\$)	4.513,00	6.076,00	3.374,00	4.155,00
Turnover (%)	38,6	29,9	36,0	27,0
E-mail (%)	72,0	74,1	70,0	100,0
Fax (%)	67,0	68,5	65,0	100,0
CRM (%)	59,0	46,3	70,0	100,0
VoIP (%)	25,0	14,8	35,0	66,0
Calls/operator/day	74	70	82	60
Satisfacao dos clientes	4,0	3,9	4,1	4,3

Source: Relatório da Indústria de Call Centers no Brasil 2005

In addition, it is clear the high use of advanced technologies based on table 4. For all analyzed complement technologies, e-mail, fax, crm and voip, the percentages for ICC are much better than other call center types. The amount of possible variables for analyses is expressive but the subjective one, average level of customer satisfaction, seems to be a good way to evaluate the level of service provided by national and international (ICC) call centers. All values are around 4 in a scale from 1 to 5 but the high value was detected in ICC column. It is at least curious because a call center service provided in another language (English, Spanish) could have a worse evaluation from customers but it was not observed.

So, when comparing call centers from developed countries with Brazil and among different kinds of call centers in Brazil, good perspectives can be identified for Brazilian call centers to provide offshoring services but, for many of them, some improvements are needed to be a good player.

BRAZILIAN CALL CENTER MARKET

The Brazilian call center market is also very competitive. Some of greatest international call center companies are competing against great national call-center companies. It is important to complete the Porter's Diamond model, warranting an internal competitive market to be internationality competitive as well.

International giant call center companies as the French TELEPERFORMANCE, the Spanish ATENTO from Telefonica group, DEDIC from Portugal Telecom group are acting in the Brazilian scenario against the Brazilian giant national companies as CONTAX,

the largest Brazilian call center company from the telecommunication group TELEMAR, ACS from ALGAR telecom group, BrasilCenter from EMBRATEL purchased a few years ago by TELMEX group. All of them have more than 3,000 operator seats. CONTAX and ATENTO have more than 15,000 and 17,000 operator seats, respectively.

At the conclusion of the survey and the preliminary presentation of the survey results, some other call center companies (not included in survey) showed up as offshoring operations providers. Company A provides offshore services in English, French and Spanish through college-level operators to many countries and intensive usage of VoIP. The types of services provided involve inbound and outbound sales, reservations, customer service and B2B applications.

Company B provides English, Spanish and German operations and is one of the 50 biggest call center enterprises in Brazil. Besides offshoring operations, during Brazilian Carnival and year-end parties, they provide 0800 multilingual support for tourists in Brazil. Company C is a kind of B2B call center and the operators are specialist in many areas in order to help other companies in their relationships. Their main markets are Zone 1 countries and 12 hours (or almost) countries such as China, Korea, Australia and India. They got these specialized operators through immigrant associations and have clients in China and Korea, speaking Mandarin and Korean.

With the worldwide telecommunications liberalization and the multiplicity of companies providing international services, the interconnections among countries is not as expensive as in the past and the impact in a business plan is not so significant. Brazil has submarine cables and satellite communications with USA, Europe and many other countries with no delay and a ready infrastructure for IT and IP connections. So, based on table 2, Brazil is in a state-of-the-art technology to compete with other countries for call center services as has been done in steel, agro-business and up to in medium scale airplane manufacture.

In this competitive environment, the fight for the best clients for outsourcing operations means the application of best practices in all companies internal areas, production, IT, marketing, HR, and applies to companies with capabilities to act in international market in competitive conditions, quality and low cost.

FINAL CONSIDERATIONS

Offshoring of services is opening new opportunities for developing countries. The provision of services is easier than for manufacturing production when plants need to be transplanted. For services, and in special cases for call centers, simple installations based on networked workstations with headsets and chairs provide services to any place in the world. Based on technology and human resources, and solving cultural differences, a call center can provides services to countries with same language. As with is happening with India and English language, it can be transferred to other countries with same capabilities.

As presented, Brazil, in many aspects, is in the-state-of-the-art in call center technologies, especially VoIP, representing low costs in telecommunications and IT applications and has telecom infrastructure indices much higher than India (Cable & Wireless, 2003).

In HR's case, the lower wages in comparison with developed countries are attractive for call center implementation. The mother-tongue is Portuguese; however, Brazil has a multicultural society with many immigrants that came to the country during the beginning of century XX. Brazil opportunities for ICC can be done for the Portuguese mother-tongue countries as Portugal, but also for many other countries as Japan and Germany. In addition, college students with a second language (Spanish or English) can be contracted and trained for ICC with no loss of competition in comparison with other countries. In some cases, the psychic distance from Uppsala School can be interpreted, instead of a "bad characteristic" of a country for business purposes, in a good international relations or socio-cultural societies, this term can be replaced by "psychic affinity" as can be seen in Brazil.

So, the prospect for Brazil as an international call center player seems to be ready and the trends are on the way. In the beginning of 2006, an important and great call center company published an advertisement in one of the main Brazilian newspaper asking for bilingual operators. In a Folha de S. Paulo newspaper (19.03.2006) advertisement of a multinational in cellular telephony segment was looking for Argentines, Chileans, Peruvians and Venezuelans for its contact center. Offshoring call centers seem to be gaining momentum in Brazil...

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